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AIR QUALITY
MANAGEMENT
DISTRICT**

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(Secretary)

Jack P. Broadbent
EXECUTIVE
OFFICER/APCO

November 30, 2007

James Goldstene
Executive Officer,
California Air Resources Board,
1001 I Street,
Sacramento, CA 95814

Dear Mr. Goldstene,

The Bay Area Air Quality Management District (District) is pleased to submit its application for early funding under the California Goods Movement Bond. Attached you will find a detailed proposal summarizing the District's request for \$4.1 million for three projects. Upon approval by the California Air Resources Board (ARB), the District will seek approval from its Board of Directors to enter into a funding agreement for these projects.

The proposed projects will significantly reduce Bay Area resident's exposure to particulate matter (PM), sulfur oxides (SOx) and nitrogen oxides (NOx) that are a result of Goods Movement and we would encourage the ARB to provide full funding for each.

The District has had a long and proven track record in successful administration of state and local grant monies. This is demonstrated by the successes of its Carl Moyer (CMP), Mobile Source Incentive Fund (MSIF), Transportation for Clean Air Fund (TFCA) and Lower Emissions Schools Bus Programs (LESBP) which distribute in excess of \$30 million in grant funding annually. These grant monies ensure the reduction of hundreds of tons of air pollution.

The District looks forward your approval of this proposal. If you have any questions regarding the proposal attached please contact Damian Breen, Grants Programs Manager at (415) 749-5041 or dbreen@baaqmd.gov.

Sincerely,

Jack P. Broadbent
Executive Officer/APCO

Enclosure



EARLY GRANT PROPOSAL

CALIFORNIA GOODS MOVEMENT BOND

November 30, 2008

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Attachments:

- Attachment 1 - BAAQMD Truck Outreach Materials
- Attachment 2 - Letters of Intent from Proposed Grant Recipients

SUMMARY OF PROPOSAL

The Bay Area Air Quality Management District (the District) is requesting \$4.1 million in funding from the California Goods Movement Bond in order to perform three separate projects (see below) that will have a significant benefit for air quality in the Bay Area.

Collectively these projects will reduce Bay Area resident's exposure to particulate matter (PM) and nitrogen oxides (NOx) that are a result of goods movement. PM from diesel combustion engines is carcinogenic and NOx, another diesel combustion byproduct, is an irritant that can affect the eyes, nose, throat and lungs. Bay Area communities near freeways and near ports have been identified as having exposures to high concentrations of these combustion pollutants. The projects selected by the District reduce the amounts of both pollutants in affected communities (including Oakland, a severely affected community) and as a result will provide more healthful air for the local residents. Additionally, these projects will reduce the amount of greenhouse gases (GHG) and ozone precursors (reactive organic compounds (ROG)) produced.

Proposed Projects

A summary of the projects proposed is as follows:

Grid Based Shore Power - APL Shipping

Cost: \$4.0 million Funding Request: \$2.8 million

APL is a cargo container shipping line with a terminal located at the Port of Oakland. The company is currently undergoing a renovation at its Oakland dock (two vessel berths) and is interested in the installation of either portable or grid based shore power for its vessels. The District is proposing to fund the costs of the installation of a grid based shore power system or equivalent (approximately \$4 million) for APL with 70% of the funding coming from Goods Movement Bond (\$2.8 million) in early grants monies. APL would match the remaining 30% of the costs for the project.

Truck Replacement - GSC logistics

Cost: \$1.8 million Funding Request: \$0.9 million

GSC Logistics is a services firm that employs independent truckers to deliver goods in California trade corridors and is closely associated with operations at the Port of Oakland. This project involves the replacement of 18 pre-1993 Port drayage trucks at a cost of \$50,000 per truck equating to a \$0.9 million grant expenditure. Matching funds are to be provided by the independent owners of these vehicles.

DPF installation - Port of Oakland

Cost: \$0.8 million Funding Request: \$0.4 million

The Port of Oakland has replaced 80 trucks under its own truck compliance scheme and as a result these trucks are operating under a contract that allows for installation of available emissions controls. These trucks range in age from 1996 to 2004 and would be compliant with the ARB's drayage truck rules with the installation of DPF. This project involves the installation of DPF on these trucks at a cost of \$5,000 per truck equating to a \$0.4 million grant expenditure. A one-to-one match (\$0.4 million) for this project will be provided by the Port of Oakland.

Milestones and Justification

The following are the milestones for the proposed projects and the District's justification as to why they are achievable:

Grid Based Shore Power - APL Shipping

Milestones:

- January 2008: Completion of electrical engineering study on existing PG&E infrastructure (funded by APL).
- March 2008: Sign funding agreements with APL for early grant funding.
- July 2008: Complete project plans and specifications
- August 2008: Order all necessary switching, transformer and cabling for the project (up to 52 weeks for all required equipment to arrive on site)
- Dec. 2009: Complete installation, testing and make the electrical grid connections at the 2 berths for the APL terminal fully operational.

Justification:

As part of a major renovation to modernize and repair 2 berths at APL's Port of Oakland terminal, the infrastructure beneath the terminal will be exposed. This project was scheduled before the bond money became available and will occur regardless of the approval of this proposal. However, this provides APL with the opportunity to lay a fresh electrical conduit to both berths from the electrical grid. The entire renovation project is scheduled for completion by December 2009.

Truck Replacement - GSC logistics

Milestones:

- March 2008: Sign funding agreement with individual GSC logistics contractors.
- June 2008: Approximately 20% to 50% (9 trucks) of the truck replacements for the GSC contractors completed.
- Dec. 2008: Replacement of 100% of 18 GSC trucks.

Justification:

The independent operators of the trucks at GSC logistics are subject to the drayage truck rule. In order for them to continue operations under their contract with GSC, they need to be in compliance with all applicable state regulations. As all of these trucks are pre-1993 the operators are anxious to avail themselves of this opportunity for funding. In addition, it should be noted that District research into delivery times for new trucks shows that they are generally available even for sizable orders in a three to six month time frame.

DPF installation - Port of Oakland

Milestones:

- March 2008: Sign funding agreement with individual Port of Oakland truck contractors.
- June 2008: Approximately 20% to 50% (40 trucks) of the Port of Oakland truck contractors to have installed DPF.
- Dec. 2008: DPF installed on 100% of the 80 Port of Oakland truck contractors.

Justification:

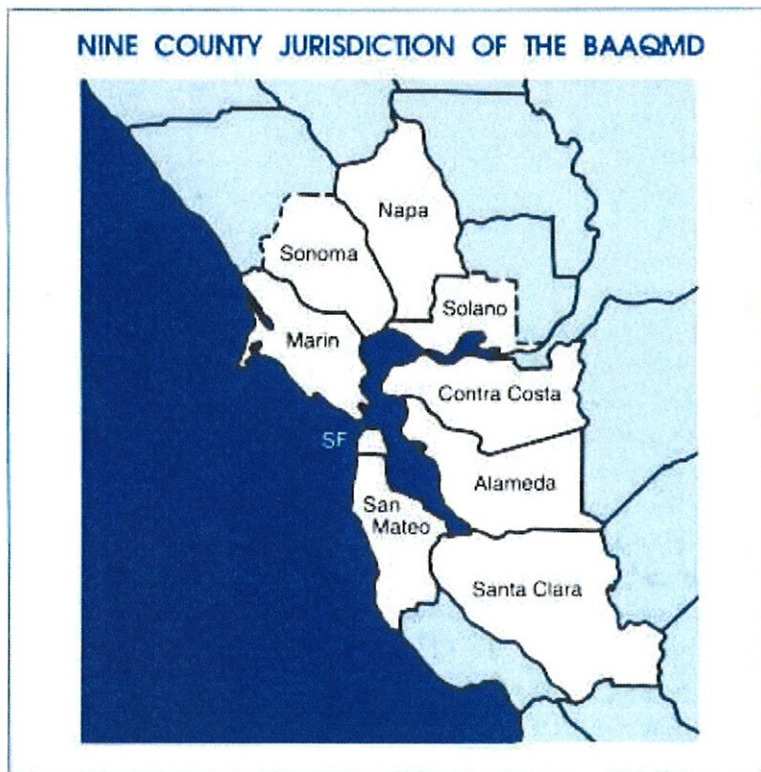
Each vehicle replaced as part of the Port of Oakland's truck program is subject to a contract that requires them to install emissions controls in order to maintain compliance with state standards. By providing the matching \$0.4 million for early replacement the Port of Oakland is confident that its truckers will install these devices. In addition, District research has shown that DPF installation can be performed on trucks relatively quickly and certainly within a six to nine month period.

DETAILED PROPOSAL

The following comprises the District's detailed proposal for early grants monies under the California Goods Movement Bond:

Geographic Coverage

The District's jurisdiction encompasses seven counties - Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara and Napa, and portions of two others - southwestern Solano and southern Sonoma as is shown in the map below:



This area is consistent with the trade corridor identified in Table 1 of the ARB's September 19, 2007, document *"Goods Movement Emissions Reduction Program - Staff Draft Concepts for Implementation."*

The majority of projects included as part of this proposal target the area around the Port of Oakland which has been identified by the District's Community Air Risk Evaluation (CARE) Program as being an area significantly impacted by goods movement emissions.

Outreach

Even though very limited time was available due to the expedited deadline for these grants, District staff explored a number of avenues of outreach to eligible goods movement industries as part of putting this proposal together. These include the following:

- Direct calls and e-mails to eligible industries;
- Preparation and dispersal of informative literature to target industries (see Attachment 1); and
- Outreach through targeted partners such as the Port of Oakland, equipment vendors and the California Short Line Railroad Association.

Staff also used resources such as DMV registration records and Grant Programs records for Carl Moyer (CMP), Transportation Fund for Clean Air (TFCA) and Mobile Source Incentive Fund (MSIF) to identify candidates who met the criteria set forth in the ARB's guidance document.

The results of this outreach yielded the projects that are presented as part of this proposal. However, it should be noted that the participants in a number of projects identified as eligible by the District's outreach choose either to wait for further information (in the form of draft guidelines for this program) or in the case of many railroad companies, chose to seek funding under the Car Moyer Program.

Eligible Equipment

As part of determining the eligibility of projects for early grants monies, staff used the ARB's guidance document to certify that equipment owned and operated or proposed equipment qualifies for funding. The results of this analysis are presented in Table 1 (Page 6 through 8). Additionally, staff certified that the new equipment being provided as replacement or which is to be newly installed complies with ARB guidance. The results of this analysis are presented in Table 2 (Page 9).

Table 1 - Eligibility Determination of Old Equipment for Early Grants in the BAAQMD

Project Description	Pieces of Equipment	Proposal Basis	Average Age	Average Operation	Eligibility Determination
GSC Logistics-Truck Replacement	18 Trucks	<p>The independent operators of the trucks at GSC logistics are subject to the drayage truck rule. In order for them to continue operations under their contract with GSC, they need to be in compliance with all applicable state regulations. As all of these trucks are pre-1993 the operators are anxious to avail themselves of this opportunity for funding. In addition, it should be noted that District research into delivery times for new trucks shows that they are generally available even for sizable orders in a three to six month time frame.</p> <p>This project will remove older and more polluting trucks (PM and NOx) from the Port of Oakland area which will benefit local community health.</p> <p>The District has substantial experience in the administration of grants for vehicle replacement projects as is evidenced through its TFCA, CMP and MSIF programs. Also, This type of project would require minimal staff retraining.</p>	1993 or older	65,000 miles/year	Complies with ARB requirements on pages 19 through 21 of Goods Movement Bond Guidance Document

Table 1 - Eligibility Determination of Old Equipment for Early Grants in the BAAQMD

Project Description	Pieces of Equipment	Proposal Basis	Average Age	Average Operation	Eligibility Determination
Port of Oakland-DPF Installation	80 Trucks	<p>Each vehicle replaced as part of the Port of Oakland's truck program is subject to a contract that requires them to install emissions controls in order to maintain compliance with state standards. By providing the matching \$0.4 million for early replacement the Port of Oakland is confident that its truckers will install these devices. In addition, District research has shown that DPF installation can be performed on trucks relatively quickly and certainly within a six to nine month period.</p> <p>This project will reduce the amount of pollutants (PM) from trucks at the Port of Oakland which will benefit local community health.</p> <p>The District has substantial experience in the administration of grants for vehicle replacement projects as is evidenced through its TFCA, CMP and MSIF programs. Also, This type of project would require minimal staff retraining.</p>	Pre-2004	20,000 miles/year	Complies with ARB requirements on page 19 through 21 of Goods Movement Bond Guidance Document

Table 1 - Eligibility Determination of Old Equipment for Early Grants in the BAAQMD

Project Description	Pieces of Equipment	Proposal Basis	Average Age	Average Operation	Eligibility Determination
APL Shipping-Shore Power Project	N/A	<p>APL is a cargo container shipping line with a terminal located at the Port of Oakland. The company is currently undergoing a renovation at its Oakland dock (two vessel berths) and is interested in the installation of either portable or grid based shore power for its vessels. The District is proposing to fund the costs of the installation of a grid based shore power system or equivalent (approximately \$4 million) for APL with 70% of the funding coming from Goods Movement Bond (\$2.8 million) in early grants monies. APL would match the remaining 30% of the costs for the project.</p> <p>This project will provide power (approximately 2.5 MW) to five C-11 class ships (3,800 TEU) that will service the APL terminal at the Port of Oakland. The "cold ironing" of each of these vessels (90% on the ships visits or in compliance with the ARB's proposed regulation) will provide substantial emissions reductions (PM, SOx and NOx) for the local community which will benefit health.</p> <p>The District has experience in the administration of grants for this type of project and is currently engaged in a similar effort through its Carl Moyer program. This type of project would also require minimal staff retraining.</p>	N/A	One ship at berth per week	Complies with ARB requirements on pages 24 through 25 of Goods Movement Bond Guidance Document

Table 2 - Eligibility of New Equipment for Early Grants in the BAAQMD

Project Description	Pieces of Equipment	Average Age	Average Operation	Eligibility Determination
GSC Logistics-Truck Replacement	18 Trucks	2007 or newer	65,000 miles/year	Complies with ARB requirements on pages 19 through 21 of Goods Movement Bond Guidance Document
Port of Oakland-DPF Installation	80 Trucks	New DPF	20,000 miles/year	Complies with ARB requirements on pages 19 through 21 of Goods Movement Bond Guidance Document
APL Shipping-Shore Power Project	1 grid-based shore-power infrastructure or equivalent	New shore-power system	52 ship visits per year using shore power	Complies with ARB requirements on pages 24 through 25 of Goods Movement Bond Guidance Document

Staff Resources

At present, the District's Grant Programs Section has 9 permanent staff members at differing levels from Air Quality Program Manager to Air Quality Technician. This staff is assigned to the District's current programs (Carl Moyer, TFCA, MSIF and LESBP) but will be expanded by the addition of four Administrative Analysts and the filling of two additional Environmental Planner vacancies. This will leave staffing levels at a total of 15 for the current fiscal year (FY 07/08). Also, this section is supported by the District's Administration and Financial Services Sections who assist in the production and quality control of grant contracts.

As part of the administration of this early grant proposal, the District will use 50% of two full-time employees (an Administrative Analyst and a Principal Environmental Planner). The District will also seek to contract with an outside consultant to perform some of the administrative functions for this program. The staff list above will oversee the consultants who will analyze and process applications and grant contracts. The assigned District staff will conduct all pre- and post-inspections of equipment replaced or installed as part of this grant and will oversee the processing of grant applications and contracts.

This process will continue through the end of the current fiscal year (June 30, 2008) at which time the District will be looking to increase its staff by hiring one to two additional Administrative Analysts who will be assigned to both the early Grants and the administration of the main distribution of the Goods Movements Bond monies. This will increase the District's Grant Programs Section staffing to 16 or 17 individuals. At this time, the District may also choose to add additional staffing to its Administration and Financial Services Sections to deal with the increased numbers of contracts and necessary accounting under the main Bond grants.

Funding Proposals

In order to ensure the success of each of the proposed projects the District is requesting the grant monies itemized in Table 3 (Page 13). The District has secured written commitments from each of the companies providing match funding in Table 3 (see Attachment 2) and is confident that once funding is approved by the ARB, binding contracts can be negotiated quickly.

Table 3 - BAAQMD Funding Proposal for Early Grants

Proposal	Bond Funds Requested per Item	Total Bond Funding Requested	Matching Funds per Item	Total Matching Funds	Total Project Cost	Administration Funding (5% of Bond Funds Requested)
GSC Logistics-Truck Replacement	18 trucks at \$50,000	\$0.9 million	\$50,000 provided by truck owners	\$0.9 million	\$1.8 million	\$45,000
Port of Oakland-DPF Installation	80 trucks at \$5,000	\$0.4 million	\$5,000 provided by the Port of Oakland	\$0.4 million	\$0.8 million	\$20,000
APL Shipping-Shore Power Project	Grid-based shore-power or equivalent at \$2.8 million	\$2.8 million	\$1.1 million provided by APL	\$1.1 million provided by APL	\$4 million	\$140,000
<u>Totals</u>		\$4.1 million		\$2.4 million	\$6.6 million	\$205,000

Project Schedule

The following represents the combined project schedule for the early grant monies:

Table 4 - BAAQMD Project Schedule for Early Grants

Date	Action
November 30, 2007	Submit early grant application to ARB
November/December	Revise proposal with input from ARB
December 2007	Receive guidelines for Goods Movement Bond Grants
December 2007	Assign staff to build Bond Grant Program for District
January 2008	District retains the services of outside contractor
January 24, 2008	ARB's Board approves the District's bid for early grant
January 2008	Electrical engineering study completed at APL terminal
February 2008	District prepares boilerplate grant applications and contracts
February 2008	District's Board approves grant agreement with ARB
March 2008	District analyzes early grant applications
March 2008	District enters into grant agreements with eligible grantees
March/April 2008	District staff conducts pre-inspections of existing equipment
May 2008	First truck replacements and DPF's are bought by grantees
June 2008	District staff conduct post-inspections
June 30, 2008	20% to 50% of initial truck replacements and DPF installations are completed
July 2008	APL completes final plans and specifications for equipment
August 2008	APL orders electrical infrastructure equipment
December 2008	100% of initial truck replacements and DPF installations are completed
June 2009	Construction begins at APL terminal in Oakland
December 2009	APL shore power project is fully operational

Program Implementation

As part of its program implementation District staff will employ "best practices" from its existing operations in order to secure equipment projects. This process will include a streamlined application that will be scrutinized against the draft guidelines for the California Goods Movement Bond program produced by the ARB in December. Staff will also design boilerplate contracts that will be used to secure commitments to the project life and emissions standard for operation guaranteed by both insurance and enforcement clauses. Staff will also be using "best practices" in terms of fund distribution by encumbering monies at the time contracts are executed so that invoices can be paid quickly. Additionally, invoicing and payments for projects will be based on a reimbursement system.

Project Selection

Staff will use a competitive process for these early grant funds based on emissions criteria as defined by the upcoming draft guidelines for the California Goods Movements Bond program. This competitive process will utilize the following factors to determine which projects will receive funding and in what order:

- Project cost effectiveness
- Total emissions reductions
- Project location

With the ARB's concurrence, the District intends to weight projects in communities with high pollution exposure as defined by its CARE program. This will ensure that monies made available as part of these early Grants achieve the greatest benefits for these communities.

Attachment 1



for owners of
on-road heavy
duty engines

FUNDS AVAILABLE TO CLEAN YOUR FLEET

Cleaner vehicles are good for the health of your community, employees, and bottom line.

EARLY COMPLIANCE CAN SAVE YOU MONEY

Take advantage of a new grant program to help businesses offset the costs of early compliance with California fleet regulations.

GOODS MOVEMENT EMISSION REDUCTION PROGRAM

In November of 2006, California voters approved Proposition 1B authorizing the state legislature to allocate \$1 billion for emission reductions from activities related to goods movement throughout California. \$400 million will be available for heavy duty diesel trucks serving seaports and railyards.

Up to **\$25 million will be available in the first round of funding.**

ACT NOW

Option 1: Replace your truck!

Apply for a grant to replace your model year 2002 or older diesel truck with a 2007 or newer model.

Option 2: Retrofit your diesel truck!

Apply for a grant to retrofit your model year 2006 or older diesel truck. Trucks will be retrofitted with a verified Level 3 soot filter.

CONTACT

Damian Breen, Project Manager
(415) 749-5041
dbreen@baaqmd.gov
www.baaqmd.gov



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

The Bay Area Air Quality Management District—the Bay Area's resource for clean air grants and incentives—is committed to attaining and maintaining air quality standards in order to protect the public's health and the environment



Attachment 2



November 30, 2007

Mr. Jack Broadbent
Executive Officer
Bay Area Air Quality Management District
939 Ellis Street
San Francisco, CA 94109

Re: Request for Funding for Shoreside Electrification

Dear Mr. Broadbent:

Eagle Marine Services, a subsidiary of APL Limited and a tenant of the Port of Oakland at Middle Harbor Terminal, is requesting funding for a shoreside electrification project.

The project will provide terminal infrastructure to enable ocean going container vessels to turn off their auxiliary engines and connect to shorepower while at berth, thereby reducing diesel emissions and greenhouse gases.

The project scope will include procurement and installation of a substation, underground cabling, connection to the electrical grid and shoreside plugs for two berths. The estimated cost of the project is US\$4 million.

The anticipated project schedule is as follows:

- Preliminary engineering study – January 31, 2008
- Final plans and specifications – July 31, 2008
- Procurement of equipment (12 month lead time) – August 29, 2008
- Commencement of construction – June 1, 2009
- Project completion – December 31, 2009

We look forward to working with BAAQMD on this important environmental project.

Sincerely,

A handwritten signature in cursive script that reads "Virginia Hessenauer".

Virginia Hessenauer
Director, Environmental Affairs

APL Limited
1111 Broadway
Oakland, CA 94607-5500
www.apl.com



DT: 11/29/07

FM: Richard Norton
Director of Operations

RE: Letter of Intent

Damian Breen
Bay Area Air Quality Management District
Grant Programs Manager
Tel: 415-749-5041
Fax: 415-749-5020

Dear Damian,

GSC Logistics has 151 Independent Owner Operators under contract and currently working in the Port of Oakland. GSC Logistics is excited to be participating in pursuing grant opportunities with the Bay Area Air Quality Management District for replacing older diesel trucks. To that end, we have interviewed 23 of our drivers that are operating trucks with model years of 1993 and older, and have received a verbal commitment from 18 of them that they are very interested in participating in this program.

We look forward to working together to efficiently replace these older vehicles with new 2007 units, and to breathing cleaner air at the Port of Oakland.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard Norton', with a long horizontal line extending to the right.

Richard Norton
Director of Operations
GSC Logistics
530 Water Street, Oakland, CA
510-844-3737



OMAR R. BENJAMIN
Executive Director

November 30, 2007

Jack Broadbent
Executive Officer
Bay Area Air Quality Management District
939 Ellis Street
San Francisco, CA 94109

Dear Mr. Broadbent:

This letter is in reference to potential air quality funding that may be available from the emissions reductions funding included in Proposition 1B, passed by the voters in November 2006.


It is my understanding that the Bay Area Air Quality Management District (BAAQMD) intends to make an application to the California Air Resources Board (CARB) for "early action" funds available from the bond on an expedited basis. These funds can be used for a variety of air quality programs and incentives related to the reduction of emissions from goods movement sources.

The Port of Oakland strongly supports initiatives to address the environmental impact of the activities of our tenants and customers, and has implemented a number of air quality programs through our Vision 2000 Air Quality Mitigation Program (AQMP). Specifically, one element of the AQMP was a truck replacement program that targeted some of the oldest drayage trucks that call on Port terminal and rail facilities. Through this program, nearly 80 trucks have been replaced with model year-2000 and newer vehicles, resulting in significant air quality improvements for the local community and region.

Under proposed CARB regulations addressing port trucks, however, most of these trucks would not be allowed to service the Port after 2009 without the installation of a diesel particulate filter. The Port would support the use of existing funds available through the Port's AQMP to leverage state environmental bond dollars to subsidize the cost of the installation of these diesel particulate filters and extend the useful life of these trucks that call on Port facilities.

I hope this letter will serve as an indication of our support for the early action funding your agency will be requesting from CARB, and I look forward to continuing to work with you and your staff on additional environmental initiatives.

Sincerely,



Omar R. Benjamin
Executive Director